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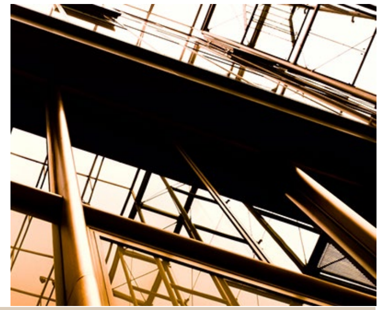
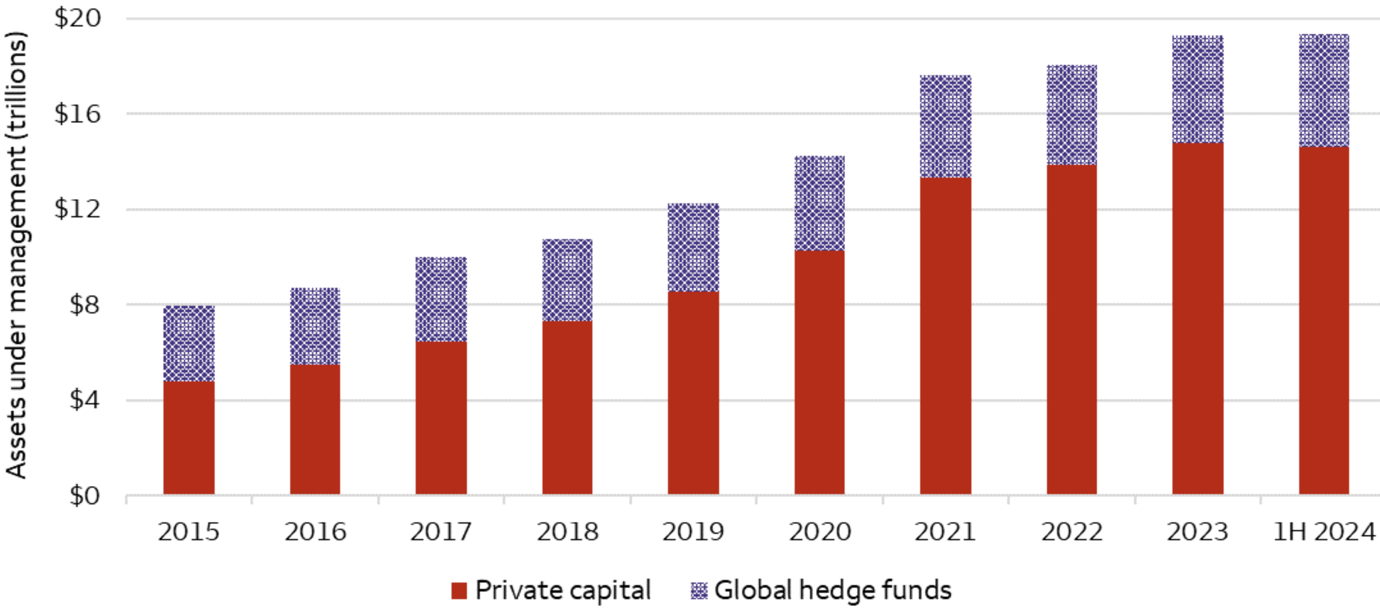


# Chart of the Week

**Weekly analysis of key themes in markets** February 19, 2025

## An era of growth in alternative investments




Source: Preqin. Data as of June 30, 2024. 1H = first half.

### Alternative investments increasingly seen as core component of well-diversified portfolio

As the chart above shows, there has been significant growth in alternative investments' assets under management in recent years. The combined total in 2015 registered near $8 trillion and steadily rose to over $19 trillion through June 2024. We see this growth as largely a result of two factors — greater accessibility and growing awareness.

First, the world of alternative investments — historically the realm of institutional or ultra-high net worth investors — is more accessible to the average investor. The other key factor is growing awareness of some of their potential benefits in building long-term wealth, preserving capital in challenging markets, and generating income.

**What it may mean for investors**

While many investors have yet to incorporate alternative strategies in their portfolios, this asset group is increasingly thought of as a core component of any well-diversified portfolio. For more detail on which strategy types may align with various investment objectives, please see our February 3 *Investment Strategy* report.

**Mark Steffen, CFA, CAIA,** *Global Alternative Investment Strategist* Excerpted from Investment Strategy report (February 3)

**Investment and Insurance Products: ➤ NOT FDIC Insured ➤ NO Bank Guarantee ➤ MAY Lose Value**

Alternative investments, such as hedge funds, private equity, private debt, and private real estate funds are not appropriate for all investors and are only open to "accredited" or "qualified" investors within the meaning of U.S. securities laws.

## Risk Considerations

Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve. **Stock markets**, especially foreign markets, are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors.

Alternative investments, such as hedge funds, private equity/private debt and private real estate funds, are speculative and involve a high degree of risk that is appropriate only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in a fund and for which the fund does not represent a complete investment program. They entail significant risks that can include losses due to leveraging or other speculative investment practices, lack of liquidity, volatility of returns, restrictions on transferring interests in a fund, potential lack of diversification, absence and/or delay of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than mutual funds. Hedge fund, private equity, private debt and private real estate fund investing involves other material risks including capital loss and the loss of the entire amount invested. A fund's offering documents should be carefully reviewed prior to investing.

Hedge fund strategies, such as Equity Hedge, Event Driven, Macro and Relative Value, may expose investors to the risks associated with the use of short selling, leverage, derivatives and arbitrage methodologies. Short sales involve leverage and theoretically unlimited loss potential since the market price of securities sold short may continuously increase. The use of leverage in a portfolio varies by strategy. Leverage can significantly increase return potential but create greater risk of loss. Derivatives generally have implied leverage which can magnify volatility and may entail other risks such as market, interest rate, credit, counterparty and management risks. Arbitrage strategies expose a fund to the risk that the anticipated arbitrage opportunities will not develop as anticipated, resulting in potentially reduced returns or losses to the fund.

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